

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7693

BILL NUMBER: HB 1500

NOTE PREPARED: Feb 19, 2007

BILL AMENDED: Feb 13, 2007

SUBJECT: Alcoholic Beverage Issues.

FIRST AUTHOR: Rep. Stutzman

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires alcoholic beverage sales in a dealer establishment to be rung up by a sales clerk who: (1) has an employee permit; (2) has alcohol server training; and (3) is at least 21 years of age (this is currently the case with package liquor stores). The bill also allows the Alcohol and Tobacco Commission (ATC) to conduct random unannounced inspections of locations where alcoholic beverages are sold or distributed. This bill allows a person at least 18 years of age and less than 21 years of age to receive or purchase alcoholic beverages as part of an enforcement action. This bill provides for graduated civil penalties against a permittee for repeat violations of furnishing alcohol to a minor on the licensed premises. The bill increases the penalty for furnishing an alcoholic beverage to a minor to a Class B misdemeanor if the person is an adult. The bill allows the sale of alcoholic beverages on New Year's day for off premises consumption.

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) *ATC Administrative costs summary:* This bill will cause an increase in administrative costs for the ATC. The ATC will have to amend rules, forms, permit, and enforcement procedures to implement the provisions of this bill. It is estimated that these changes could be made through the use of existing staff and resources available to the ATC. The increase in expenditures will also be offset by the fee revenue increases in the bill.

(Revised) *Penalties for Sales to Minors:* The bill establishes civil penalties for an alcohol permit holder, the holder's agent, or the holder's employee that furnishes alcohol to a minor. The bill also makes it a Class B misdemeanor for a person to intentionally sell, barter, exchange, provide, or furnish an alcoholic beverage to a minor. (Under current law, the offense is a Class C misdemeanor.)

Explanation of State Revenues: (Revised) *Sales Clerks:* The bill requires a sales clerk in any dealer permittee establishment to obtain an employee permit from the ATC and alcohol server training in order to ring up sales of alcohol. This provision of the bill will increase employee permit fee revenue to the Excise Police Retirement Fund and the ATC's Enforcement and Administration Fund. The increase in fee revenue is expected to be over \$110,000 in FY 2008, and \$110,000 every two years thereafter since employee permits are issued on a biennial basis. This estimate is based on the assumption that all dealer permit holders will have at least two sales clerks that obtain an employee permit at each establishment. This estimate was also offset by the fact that under current law, package liquor store sales clerks are already required to obtain employee permits. The ATC estimates that there are approximately 1,850 dealer permit holders that are not package liquor stores. The fee for an employee permit is \$30.

(Revised) *Penalties for Sales to Minors:* Any civil penalties collected would increase revenue to the Enforcement and Administration Fund (EAF), the state General Fund, and the general funds of cities and towns. The penalty revenue would be deposited 34% in the EAF and 66% in the state General Fund. The state would then retain 50% of the General Fund distribution, and the remainder is distributed to cities and towns based on population.

As a result of the change in the criminal penalty for sales to minors, revenue to the Common School Fund may increase if a person is sentenced for one of the higher penalties. The maximum fine for a Class C misdemeanor is \$500, while the maximum fine for a Class B misdemeanor is \$1,000. However, any additional revenue is likely to be small. Court fees would remain unchanged.

(Revised) *New Year's Day Sales of Alcohol:* The bill allows the sale of alcoholic beverages on New Year's day for off premises consumption. This provision will only impact state revenues to the extent that alcohol sales are affected (please see *Background on Alcohol Sales*).

Background on Alcohol Sales: To the extent that any of the provisions of this bill affect alcoholic beverage sales, state revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise taxes and the Sales Tax. The alcoholic beverage excise taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund, the ATC Enforcement and Administration Fund, the Addiction Services Fund, and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population. Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures: (Revised) *Penalties for Sales to Minors:* The maximum term of imprisonment for a Class C misdemeanor is up to 60 days, while the maximum term for a Class B misdemeanor is up to 180 days. However, any additional costs to local governments are likely to be small.

Explanation of Local Revenues: (Revised) *Background on Alcohol Sales:* The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population.

Penalties for Sales to Minors: Court fees would remain unchanged. Any civil penalties collected would increase revenue to the Enforcement and Administration Fund (EAF), the state General Fund, and the general funds of cities and towns. The penalty revenue would be deposited 34% in the EAF and 66% in the state General Fund. The state would then retain 50% of the General Fund distribution, and the remainder is

distributed to cities and towns based on population.

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected: Trial courts; local law enforcement agencies; local alcoholic beverage boards.

Information Sources:

Fiscal Analyst: Adam Brown, 317-232-9854.